

**ALBERT CITY-TRUESDALE  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2011**

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**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<i><b>NAME</b></i>	<i><b>TITLE</b></i>	<i><b>TERM EXPIRES</b></i>
<b>Board of Education</b>		
(Before September 2010 Election)		
Brent Moens	President	2013
Deb Clausen	Vice President	2011
Tim Bruns	Board Member	2013
Bryan Beckman	Board Member	2013
Jared Hays	Board Member	2011
(After September 2010 Election)		
Brent Moens	President	2013
Deb Clausen	Vice President	2015
Tim Bruns	Board Member	2013
Bryan Beckman	Board Member	2013
Jessica Wood	Board Member	2015

**SCHOOL OFFICIALS**

Barbara Kady	Superintendent
Kim Ellrich	District Secretary
Michelle Dowd	District Treasurer



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of  
Albert City-Truesdale Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Albert City-Truesdale Community School District, Albert City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Albert City-Truesdale Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U. S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2012, on our consideration of Albert City-Truesdale Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison, Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 34 through 36 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albert City-Truesdale Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
February 6, 2012

## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Albert City – Truesdale Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2011. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

#### **Financial Highlights**

- General Fund revenues increased from \$2,019,979 in fiscal year 2010 to \$2,366,730 in 2011. General Fund expenditures increased from \$2,196,463 in fiscal 2010 to \$2,206,069 in 2011.
- The District's General Fund Balance increased from \$164,073 in 2010 to \$321,388 in 2011, a 96% increase. The districts current assets (a compilation of cash, investments, taxes, and other receivables) increased from \$1,609,900 in 2010 to \$1,678,230 in 2011 while liabilities in the form of unpaid contracts, benefits, and accounts payable decreased by \$88,985 from 2010 to 2011.
- The district's certified enrollment count taken on October 1, 2010 was 209.8. This count represents a decrease of 18.1 students from the October 2009 count.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide Financial Statements* (Statement of Net Assets and Statement of Activities) that provide both short-term and long-term information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than government-wide statements.
- The *government funds statement* tells how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the district operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

#### **Government-wide Financial Statements**

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

#### Government-wide Financial Statements (Continued)

The two Government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities – are one way to measure the District's health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities consist of two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the cost of certain services it provides. The District's food service program is included here.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent to finance the District's programs. The district currently has the following governmental funds: General Fund and Special Revenue Funds.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fund Financial Statements (Continued)

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The Condensed Statement of Net Assets table below provides a summary of the District's net assets as of June 30, 2011.

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change (%)
	2010	2011	2010	2011	2010	2011	2010-2011
Current and other assets	\$ 2,933,010	\$ 3,190,865	\$ 11,537	\$ 7,825	\$ 2,944,547	\$ 3,198,690	8.6
Capital assets, net of accumulated depreciation	788,932	761,095	16,712	14,702	805,644	775,797	(3.7)
<b>Total assets</b>	<b>3,721,942</b>	<b>3,951,960</b>	<b>28,249</b>	<b>22,527</b>	<b>3,750,191</b>	<b>3,974,487</b>	<b>6.0</b>
Long-term liabilities	14,126	41,051	-	-	14,126	41,051	190.6
Other liabilities	1,651,680	1,580,164	5,093	5,632	1,656,773	1,585,796	(4.3)
<b>Total liabilities</b>	<b>1,665,806</b>	<b>1,621,215</b>	<b>5,093</b>	<b>5,632</b>	<b>1,670,899</b>	<b>1,626,847</b>	<b>(2.6)</b>
Invested in capital assets, net of related debt	788,932	761,095	16,712	14,702	805,644	775,797	(3.7)
Restricted for:						-	
Categorical funding	24,177	75,141	-	-	24,177	75,141	210.8
Management levy	117,040	116,982	-	-	117,040	116,982	(0.0)
Physical plant and equipment levy	252,085	295,814	-	-	252,085	295,814	17.3
Other special revenue purpose	16,653	16,286	-	-	16,653	16,286	(2.2)
Sales tax capital projects	731,479	860,231	-	-	731,479	860,231	17.6
Unrestricted	125,770	205,196	6,444	2,193	132,214	207,389	56.9
<b>Total Net Assets as of June 30, 2011</b>	<b>\$ 2,056,136</b>	<b>\$ 2,330,745</b>	<b>\$ 23,156</b>	<b>\$ 16,895</b>	<b>\$ 2,079,292</b>	<b>\$ 2,347,640</b>	<b>12.9</b>

The District's combined net assets increased by 13%, or approximately \$268,000, over the prior year. A large percentage of the District's net assets are capital assets (e.g., land, infrastructure, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's increase in restricted net assets relating to Physical Plant and Equipment Levy and the Local Option Sales Tax reflect continued revenue to prepare for anticipated expenditures.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

U.S. Generally Accepted Accounting Principles (GAAP) requires that the property taxes certified in April (the lien date) for the upcoming fiscal year be accrued as a receivable and shown as unearned revenue liability. The future property tax receivable of \$1,412,000 and related unearned revenue liability on the Statement of Net Assets (Exhibit A) result from this requirement. The unearned revenue liability of those taxes account for 87.0% of the total liabilities.

	Changes in			
	Governmental Activities		Business-type Activities	
	2010	2011	2010	2011
<b>Revenues:</b>				
Program revenues:				
Charges for service	\$ 106,146	\$ 151,657	\$ 27,319	\$ 29,002
Operating grants, contributions and restricted interest	419,234	397,841	32,740	23,587
General revenues:				
Property taxes	1,276,975	1,474,079	-	-
Statewide sales and services tax	160,466	144,256	-	-
Unrestricted state grants	451,862	553,119	-	-
Unrestricted investment earnings	10,999	6,116	8	12
Other revenue	150	-	-	-
<b>Total revenues</b>	<b>2,425,832</b>	<b>2,727,068</b>	<b>60,067</b>	<b>52,601</b>
<b>Expenses:</b>				
Instruction	1,591,567	1,596,754	-	-
Support services	673,952	664,064	-	-
Non-instructional programs	-	-	63,571	62,208
Other expenditures	160,637	188,295	-	-
<b>Total expenses</b>	<b>2,426,156</b>	<b>2,449,113</b>	<b>63,571</b>	<b>62,208</b>
Change in net assets before transfer	(324)	277,955	(3,504)	(9,607)
Transfers	(7,500)	(3,346)	7,500	3,346
<b>Change in net assets</b>	<b>(7,824)</b>	<b>274,609</b>	<b>3,996</b>	<b>(6,261)</b>
Net assets beginning of year	2,063,960	2,056,136	19,160	23,156
Net assets end of year	\$ 2,056,136	\$ 2,330,745	\$ 23,156	\$ 16,895

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**Net Assets**

<b>Total School District</b>		<b>Percentage</b>
<b>2010</b>	<b>2011</b>	<b>Change (%)</b>
		<b>2010-2011</b>
\$ 133,465	\$ 180,659	35.4
451,974	421,428	(6.8)
	-	
1,276,975	1,474,079	15.4
160,466	144,256	(10.1)
451,862	553,119	22.4
11,007	6,128	(44.3)
150	-	(100.0)
2,485,899	2,779,669	11.8
1,591,567	1,596,754	0.3
673,952	664,064	(1.5)
63,571	62,208	(2.1)
160,637	188,295	17.2
2,489,727	2,511,321	0.9
(3,828)	268,348	7,110.1
-	-	-
(3,828)	268,348	7,110.1
2,083,120	2,079,292	(0.2)
\$ 2,079,292	\$ 2,347,640	12.9

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Table A-2 recasts the Statement of Activities (Exhibit B) into a traditional revenue and expenses format. Unrestricted state grants accounts for 20 percent of total revenue and property tax accounts for 53 percent. The balance of funding is received as categorical grants and contributions from state, federal and private sources and charges for services (mainly tuition), for a net decrease of \$4,591 over the previous year.

The District's expenses are predominately related to the instruction of students (64 percent). Support services, non-instructional programs, and unallocated depreciation categories account for the balance. These categories contain many line items directly supporting students and instruction such as: guidance, health, media, technology, improvement of instruction, and student transportation, food service program costs, and depreciation expense not directly allocated to any functional area.

Operations, maintenance, and building administration are also significant in the support services area. The State of Iowa by formula funds local school districts for the services of area education agencies and then pays these dollars directly to the District. These AEA support dollars equate to \$99,999 of other expenditures.

#### Governmental Activities

Table A-3 presents the cost of six major District activities: instruction, support services, administration and business, maintenance and operations, transportation and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Net Cost of District's Governmental Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services	Percentage Change
	2011	2010	2011	2010	2010-2011
Instruction	\$ 1,596,754	\$ 1,591,567	\$ 1,166,199	\$ 1,179,026	1.09%
Support services	61,547	48,479	61,547	48,479	-26.96%
Administration and business	218,078	293,747	205,979	282,717	27.14%
Maintenance and operations	231,441	190,595	226,156	189,980	-19.04%
Transportation	152,998	141,131	151,438	139,851	-8.29%
Other	188,295	160,637	88,296	60,723	-45.41%
	<b>\$ 2,449,113</b>	<b>\$ 2,426,156</b>	<b>\$ 1,899,615</b>	<b>\$ 1,900,776</b>	<b>0.06%</b>

- The cost of all governmental activities for the year 2011 was \$2,449,113.
- Users of the District's programs financed some of the cost, \$151,657.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$397,841.
- Taxpayers of the District and the state financed \$2,174,224.
- The District's net assets increased by \$274,609.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Business-Type Activities**

Revenues of the District's business-type activities (school fund and nutrition services) were comprised of charges for the daily lunch and breakfasts, and federal and state reimbursements.

- ♦ Business-type activity expenses exceeded revenues by \$9,607 in 2011. \$3,346 was transferred to the food service program to offset this loss.

### **Financial Analysis of the District's Funds**

(Refer to Governmental Funds Balance Sheet (Exhibit C) and Statement of Revenue, Expenditures and Changes in Fund Balances (Exhibit E)).

The district held \$246,247 in unreserved fund balances in the General Fund, \$295,814 for Special Revenue funds of the Physical Plant and Equipment Levy, \$860,231 for Capital Projects for the Local Options Sales Tax, and \$133,268 in Nonmajor Governmental Funds. Physical Plant and Equipment, Local Options Sales Tax and Nonmajor Governmental funds are restricted in use and cannot be used for General Funds expenses.

The District's School Nutrition Fund operates at a new loss and funds in the amount of \$3,346 were transferred from the General Fund to the Nutrition Fund to offset the deficiency of revenue.

### **Budgetary Highlights**

- ♦ The District continues to budget on a GAAP basis.
- ♦ Over the course of the 2011 budget year, the District managed and revised its operating budget in that informal budget revisions were made when changes in programs became apparent. These amounts would add to the revenues and/or the expenditures.
- ♦ The District's budget versus actual results was within acceptable management planning parameters. It is district policy to budget for worst-case scenario to preserve fund balances for unforeseen events.

See the Budgetary Comparison schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual – All Governmental Funds and Proprietary Fund in Required Supplementary Information.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

By the end of 2011, the District had invested \$775,797 (net of accumulated depreciation) in a broad range of capital assets, including school buildings, athletic facilities, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. (Detailed information about capital assets can be found in Note 4 to the financial statements).

#### **Long-term Debt**

The District's only long-term debt is in its early retirement program. The District has no current plans to issue new debt in 2012. (Detailed information about long-term debt can be found in Note 5 to the financial statements.)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **Bond Ratings**

The District does not have a General Obligation Bond Rating from Moody's for fiscal year 2011 as the District does not have any general obligations bonds outstanding. If the District were to issue general obligation bonds, it would at that time obtain a Moody's rating.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial standing in the future:

- ♦ The District continues to whole grade share students grades 7 – 12 with Sioux Central School District.
- ♦ The October 2011 certified enrollment was 3.6 students less than the prior year.
- ♦ The District's primary source of revenue is the State of Iowa's school aid formula. The allowable growth increased 0.0% for fiscal year 2012. At the time of this report projections for FY 2013 are that allowable growth will be 2.0%. Costs of providing a quality educational program continue to rise. Funding increases adequate to meet increased district expenses will be needed to continue to support our high quality education program.
- ♦ The District will continue to use the Local Option Sales Tax Levy. These dollars give the District additional funding for the same items as the Physical Plant and Equipment Levy.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Dowd, Board Treasurer, Albert City – Truesdale Community School District, 300 Orchard St. Albert City, IA 50510, Phone number: 712-843-5416, Fax number: 712-843-2195, or [mdowd@aea8.k12.ia.us](mailto:mdowd@aea8.k12.ia.us) for e-mail.

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

## **BASIC FINANCIAL STATEMENT**



## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET ASSETS  
June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,725,847	\$ 5,204	\$ 1,731,051
Receivables:			
Property tax:			
Delinquent	12,824	-	12,824
Succeeding year	1,412,000	-	1,412,000
Accounts	17,894	-	17,894
Due from other governments	22,300	-	22,300
Inventories	-	2,621	2,621
Capital assets, net of accumulated depreciation	761,095	14,702	775,797
<b>Total assets</b>	<b>\$ 3,951,960</b>	<b>\$ 22,527</b>	<b>\$ 3,974,487</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 52,919	\$ 77	\$ 52,996
Salaries and benefits payable	115,245	5,127	120,372
Deferred revenue:			
Succeeding year property tax	1,412,000	-	1,412,000
Other	-	428	428
Long-term liabilities:			
Portion due within one year:			
Compensated absences	7,431	-	7,431
Portion due after one year:			
Net OPEB liability	33,620	-	33,620
<b>Total liabilities</b>	<b>1,621,215</b>	<b>5,632</b>	<b>1,626,847</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	761,095	14,702	775,797
Restricted for:			
Categorical funding	75,141	-	75,141
Management levy purposes	116,982	-	116,982
Physical plant and equipment	295,814	-	295,814
Other special revenue purposes	16,286	-	16,286
Sales tax capital projects	860,231	-	860,231
Unrestricted	205,196	2,193	207,389
<b>Total net assets</b>	<b>2,330,745</b>	<b>16,895</b>	<b>2,347,640</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,951,960</b>	<b>\$ 22,527</b>	<b>\$ 3,974,487</b>

See notes to financial statements.

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 1,256,456	\$ 136,915	\$ 240,180	\$ -
Special other	207,349	-	11,590	-
Other	132,949	2,128	39,742	-
	<u>1,596,754</u>	<u>139,043</u>	<u>291,512</u>	<u>-</u>
Support services:				
Student	16,762	-	-	-
Instructional staff	44,785	-	-	-
Administration	218,078	12,099	-	-
Operation and maintenance of plant	231,441	515	4,770	-
Transportation	152,998	-	1,560	-
	<u>664,064</u>	<u>12,614</u>	<u>6,330</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	88,296	-	-	-
AEA flowthrough	99,999	-	99,999	-
	<u>188,295</u>	<u>-</u>	<u>99,999</u>	<u>-</u>
<b>Total governmental       activities</b>	<b>2,449,113</b>	<b>151,657</b>	<b>397,841</b>	<b>-</b>
<b>Business-type activities:</b>				
Non-instructional programs:				
Food service operations	62,208	29,002	23,587	-
<b>Total</b>	<u><b>2,511,321</b></u>	<u><b>180,659</b></u>	<u><b>421,428</b></u>	<u><b>-</b></u>

**Exhibit B**

**Net (Expense) Revenue and  
Changes in Net Assets**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (879,361)	\$ -	\$ (879,361)
(195,759)	-	(195,759)
(91,079)	-	(91,079)
<u>(1,166,199)</u>	<u>-</u>	<u>(1,166,199)</u>
(16,762)	-	(16,762)
(44,785)	-	(44,785)
(205,979)	-	(205,979)
(226,156)	-	(226,156)
(151,438)	-	(151,438)
<u>(645,120)</u>	<u>-</u>	<u>(645,120)</u>
(88,296)	-	(88,296)
-	-	-
<u>(88,296)</u>	<u>-</u>	<u>(88,296)</u>
(1,899,615)	-	(1,899,615)
-	(9,619)	(9,619)
<u>(1,899,615)</u>	<u>(9,619)</u>	<u>(1,909,234)</u>

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES (Continued)**

**Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
<b>Total general revenues</b>				
Transfers				
<b>Total general revenues and transfers</b>				
<b>Change in net assets</b>				
Net assets beginning of year				
Net assets end of year				
See notes to financial statements.				

**Exhibit B  
(Continued)**

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 1,322,037	\$ -	\$ 1,322,037
152,042	-	152,042
144,256	-	144,256
553,119	-	553,119
6,116	12	6,128
2,177,570	12	2,177,582
(3,346)	3,346	-
2,174,224	3,358	2,177,582
274,609	(6,261)	268,348
2,056,136	23,156	2,079,292
\$ 2,330,745	\$ 16,895	\$ 2,347,640

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT****BALANCE SHEET  
Governmental Funds  
June 30, 2011**

	<b>General Fund</b>	<b>Physical Plant and Equipment Levy Fund</b>
<b>Assets</b>		
Cash and pooled investments	\$ 446,036	\$ 299,136
Receivables:		
Property tax:		
Delinquent	-	-
Succeeding year	1,192,000	170,000
Accounts	17,894	-
Due from other governments	22,300	-
<b>Total assets</b>	<b>\$ 1,678,230</b>	<b>\$ 469,136</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 49,597	\$ 3,322
Salaries and benefits payable	115,245	-
Deferred revenue:		
Succeeding year property tax	1,192,000	170,000
<b>Total liabilities</b>	<b>1,356,842</b>	<b>173,322</b>
Fund balances:		
Restricted for:		
Categorical funding	75,141	-
Management levy purposes	-	-
Physical plant and equipment	-	295,814
Other special revenue purposes	-	-
Sales tax capital projects	-	-
Unassigned	246,247	-
<b>Total fund balances</b>	<b>321,388</b>	<b>295,814</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,678,230</b>	<b>\$ 469,136</b>

See notes to financial statements.

**Exhibit C**

<b>Capital Projects</b>	<b>Nonmajor Governmental</b>	
<b>Sales Tax</b>	<b>Funds</b>	<b>Total</b>
\$ 847,407	\$ 133,268	\$ 1,725,847
12,824	-	12,824
-	50,000	1,412,000
-	-	17,894
-	-	22,300
<u>\$ 860,231</u>	<u>\$ 183,268</u>	<u>\$ 3,190,865</u>
\$ -	\$ -	\$ 52,919
-	-	115,245
-	50,000	1,412,000
<u>-</u>	<u>50,000</u>	<u>1,580,164</u>
-	-	75,141
-	116,982	116,982 ✓
-	-	295,814
-	16,286	16,286 ✓
860,231	-	860,231
-	-	246,247
<u>860,231</u>	<u>133,268</u>	<u>1,610,701</u>
<u>\$ 860,231</u>	<u>\$ 183,268</u>	<u>\$ 3,190,865</u>

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**Exhibit D**

**Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets  
June 30, 2011**

**Total fund balances of governmental funds (Exhibit C)**

\$ 1,610,701

**Amounts reported for governmental activities in the  
Statement of Net Assets are different because:**

Capital assets used in governmental activities are not financial resources  
and, therefore, are not reported as assets in the governmental funds.

761,095

Long-term liabilities, including compensated absences and other  
postemployment benefits payable are not due and payable in the current  
period and therefore, are not reported as liabilities in the governmental  
funds.

(41,051)

**Net assets of governmental activities (Exhibit A)**

\$ 2,330,745

See notes to financial statements.



**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES****Governmental Funds****June 30, 2011**

	<b>General Fund</b>	<b>Physical Plant and Equipment Levy Fund</b>	<b>Capital Projects Sales Tax</b>
<b>Revenues:</b>			
Local sources:			
Local tax	\$ 1,271,659	\$ 152,042	\$ 144,256
Tuition	86,520	-	-
Other	62,360	9,691	1,618
State sources	805,999	-	-
Federal sources	140,192	-	-
<b>Total revenues</b>	<b>2,366,730</b>	<b>161,733</b>	<b>145,874</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,259,810	-	-
Special	207,349	-	-
Other	130,435	-	-
	<b>1,597,594</b>	<b>-</b>	<b>-</b>
Support Services:			
Student	14,777	-	-
Instructional staff	9,163	33,853	1,769
Administration	204,808	-	11,208
Operation and maintenance of plant	153,672	-	-
Transporation	126,056	-	-
	<b>508,476</b>	<b>33,853</b>	<b>12,977</b>
Other expenditures:			
Facilities acquisition	-	84,151	4,145
AEA flowthrough	99,999	-	-
	<b>99,999</b>	<b>84,151</b>	<b>4,145</b>
<b>Total expenditures</b>	<b>2,206,069</b>	<b>118,004</b>	<b>17,122</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>160,661</b>	<b>43,729</b>	<b>128,752</b>

**Exhibit E**

<b>Nonmajor Governmental Funds</b>		<b>Total</b>
<hr/>		
\$ 50,378	\$ 1,618,335	
-	86,520	
2,353	76,022	
-	805,999	
-	140,192	
<hr/>		
52,731	2,727,068	
<hr/>		
22,535	1,282,345	
-	207,349	
2,514	132,949	
<hr/>		
25,049	1,622,643	
<hr/>		
-	14,777	
-	44,785	
405	216,421	
23,964	177,636	
3,738	129,794	
<hr/>		
28,107	583,413	
<hr/>		
-	88,296	
-	99,999	
<hr/>		
-	188,295	
<hr/>		
53,156	2,394,351	
<hr/>		
(425)	332,717	
<hr/>		

(Continued on next page)

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**Governmental Funds**

**June 30, 2011**

	<b>General Fund</b>	<b>Physical Plant and Equipment Levy Fund</b>	<b>Capital Projects Sales Tax</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	\$ 160,661	\$ 43,729	\$ 128,752
Other financing sources (uses): Operating transfers out	(3,346)	-	-
<b>Total other financing sources (uses)</b>	(3,346)	-	-
<b>Net change in fund balances</b>	157,315	43,729	128,752
Fund balances beginning of year	164,073	252,085	731,479
Fund balances end of year	\$ 321,388	\$ 295,814	\$ 860,231

See notes to financial statements.

**Exhibit E**  
**(Continued)**

<b>Nonmajor Governmental Funds</b>		<b>Total</b>	
<hr/>		<hr/>	
\$	(425)	\$	332,717
<hr/>		<hr/>	
-		(3,346)	
<hr/>		<hr/>	
-		(3,346)	
<hr/>		<hr/>	
(425)		329,371	
<hr/>		<hr/>	
133,693		1,281,330	
<hr/>		<hr/>	
\$	133,268	\$	1,610,701
<hr/>		<hr/>	

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Governmental Funds to the Statement of Activities  
June 30, 2011**

**Net change in fund balances - total governmental funds (Exhibit E)** \$ 329,371

**Amounts reports for governmental activities in the  
Statement of Activities are different because:**

governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 67,746	
Depreciation expense	<u>(95,583)</u>	(27,837)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	695	
Other post employment benefits	<u>(27,620)</u>	(26,925)

**Changes in net assets of governmental activities (Exhibit B)** \$ 274,609

See notes to financial statements.

## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Exhibit G

## STATEMENT OF NET ASSETS

## Proprietary Fund

June 30, 2011

	Nonmajor School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 5,204
Inventories	2,621
Capital assets, net of accumulated depreciation	14,702
<b>Total assets</b>	<b>22,527</b>
<b>Liabilities</b>	
Accounts payable	77
Salaries and benefits payable	5,127
Deferred revenue	428
<b>Total liabilities</b>	<b>5,632</b>
<b>Net assets</b>	
Invested in capital assets	14,702
Unrestricted	2,193
<b>Total net assets</b>	<b>16,895</b>
<b>Total liabilities and net assets</b>	<b>\$ 22,527</b>

See notes to financial statements.

## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS

## Proprietary Fund

June 30, 2011

	<b><u>Nonmajor School Nutrition</u></b>
Operating revenues:	
Local sources:	
Charges for service	\$ 29,002
	<u>29,002</u>
Operating expenses:	
Non-instructional programs:	
Salaries	25,760
Benefits	3,944
Supplies	30,494
Depreciation	2,010
<b>Total operating expenses</b>	<u>62,208</u>
<b>Operating gain (loss)</b>	<u>(33,206)</u>
Non-operating revenues:	
State sources	302
Federal sources	23,285
Interest income	12
<b>Total non-operating revenues</b>	<u>23,599</u>
<b>Gain (loss) before transfers</b>	(9,607)
Transfer in	<u>3,346</u>
<b>Change in net assets</b>	(6,261)
Net assets beginning of year	<u>23,156</u>
Net assets end of year	<u><u>\$ 16,895</u></u>

See notes to financial statements.

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**Exhibit I**

**STATEMENT OF CASH FLOWS**

**Proprietary Fund**

**Year Ended June 30, 2011**

	<b>Nonmajor School Nutrition</b>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 29,136
Cash payments to employees for services	(29,165)
Cash payments to suppliers for good or services	(25,194)
<b>Net cash used by operating activities</b>	<b>(25,223)</b>
Cash flows from non-capital financing activities:	
Transfer from General Fund	3,346
State grants received	302
Federal grants received	17,985
<b>Net cash provided by non-capital financing activities</b>	<b>21,633</b>
Cash flows from capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	12
<b>Net (decrease) in cash and cash equivalents</b>	<b>(3,578)</b>
Cash and cash equivalents at beginning of year	8,782
Cash and cash equivalents at end of year	<b>\$ 5,204</b>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating (loss)	\$ (33,206)
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
Commodities used	5,300
Depreciation	2,010
Decrease in accounts receivable	134
Increase in salaries and benefits payable	539
<b>Net cash used by operating activities</b>	<b>\$ (25,223)</b>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received \$5,300 of federal commodities.

See notes to financial statements.





## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 1. Summary of Significant Accounting Policies

Albert City-Truesdale Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Albert City and Truesdale, Iowa and the predominantly agricultural territory in a portion of Buena Vista and Pocahontas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity:

For financial reporting purposes, Albert City-Truesdale Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Albert City-Truesdale Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations:** The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

#### B. Basis of Presentation:

**Government-wide financial statements:** The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

##### **Government-wide financial statements (continued):**

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

**Fund financial statements:** Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Local Option Sales and Service Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

The District's Proprietary Fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. Financial Accounting Standards Board Statements and interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (continued):

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity:

The following accounting policies are following in preparing the financial statements:

**Cash, pooled investments and cash equivalents:** The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust that is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

**Property tax receivable:** Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

**Due from Other Governments:** Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

**Inventories:** Inventories are valued at cost using the first-in, first-out method for purchased items and governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity:

**Capital Assets:** Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

**Salaries and benefits payable:** Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred revenue:** Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity:

**Deferred revenue (continued):** Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal ales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Compensated absences:** District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the government fund financial statements. The compensated absences liability has been computed based on rates of \$5 per day at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**Long-term liabilities:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

**Fund equity:** In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can be used only for specified purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

*Unassigned* - All amounts not included in other spendable classifications.

**Restricted net assets:** In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. **Budgeting and Budgetary Control:**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Cash and Pooled Investment

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 1,220,275</u>

The investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

**Credit risk:** The investment in the Iowa Schools Joint Investment Trust is rated Aaa by Moody's Investors Service.

### Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Nonmajor Enterprise School Nutrition Fund	General Fund	\$ 3,346



## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 31,066	\$ -	\$ -	\$ 31,066
<b>Total capital assets not being depreciated</b>	<b>31,066</b>	<b>-</b>	<b>-</b>	<b>31,066</b>
<b>Capital assets being depreciated:</b>				
Buildings	1,330,046	7,094	-	1,337,140
Improvements other than buildings	175,751	23,205	-	198,956
Furniture and equipment	1,173,227	37,447	-	1,210,674
<b>Total capital assets being depreciated</b>	<b>2,679,024</b>	<b>67,746</b>	<b>-</b>	<b>2,746,770</b>
<b>Less accumulated depreciation for:</b>				
Buildings	940,569	21,894	-	962,463
Improvements other than buildings	131,080	5,016	-	136,096
Furniture and equipment	849,509	68,673	-	918,182
<b>Total accumulated depreciation</b>	<b>1,921,158</b>	<b>95,583</b>	<b>-</b>	<b>2,016,741</b>
<b>Total capital assets being depreciated, net</b>	<b>757,866</b>	<b>(27,837)</b>	<b>-</b>	<b>730,029</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 788,932</b>	<b>\$ (27,837)</b>	<b>\$ -</b>	<b>\$ 761,095</b>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 82,867	\$ -	\$ -	\$ 82,867
Less accumulated depreciation	66,155	2,010	-	68,165
<b>Business type activities capital assets, net</b>	<b>\$ 16,712</b>	<b>\$ (2,010)</b>	<b>\$ -</b>	<b>\$ 14,702</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

**Governmental activities:**

Instruction	\$ 18,246
Support services:	
Student support	1,985
Operation and maintenance of plant	52,148
Transportation	23,204

<b>Total governmental activities depreciation expense</b>	<b>\$ 95,583</b>
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**Business-type activities:**

Food service operations	\$ 2,010
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### Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 8,126	\$ 765	\$ 1,460	\$ 7,431	\$ 7,431
Net OPEB liability	6,000	27,620	-	33,620	-
	<b>\$ 14,126</b>	<b>\$ 28,385</b>	<b>\$ 1,460</b>	<b>\$ 41,051</b>	<b>\$ 7,431</b>

### Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 was \$61,539, \$57,150 and \$56,441, respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Other Postemployment Benefits (OPEB)

**Plan description:** The District operates a single-employer retiree benefit plan that provides medical and prescription drug benefits for retirees and their spouses. There are 17 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the coverage as active employees, which results in an implicit rate subsidy and an OPEB liability.

**Funding policy:** The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB cost and net OPEB obligation:** The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 32,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	32,000
Contributions made	4,380
Increase in net OPEB obligation	27,620
Net OPEB obligation beginning of year	6,000
Net OPEB obligation end of year	\$ 33,620

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$4,380 to the medical plan. Plan members eligible for benefits contributed \$9,740 or 69% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 32,000	81.00%	\$ 6,000
June 30, 2011	32,000	13.68%	33,620

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Other Postemployment Benefits (OPEB) (Continued)

**Funded status and funding progress:** As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$293,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$293,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$579,000, and the ratio of the UAAL to covered payroll was 51%. As of June 30, 2011, there were no trust fund assets.

**Actuarial methods and assumptions:** Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced .05% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### Note 8. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$99,999 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Note 10. Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Returning dropout and dropout prevention program	\$ 29,282
Teacher salary supplement	32,337
Educator quality. Professional development	6,722
Core curriculum	3,873
Market factor	2,927
	<hr/>
	\$ 75,141

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES,  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL --  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

**Required Supplementary Information  
Year Ended June 30, 2011**

	<b>Governmental Funds Actual</b>	<b>Proprietary Fund Actual</b>	<b>Total Actual</b>
<b>Revenues:</b>			
Local sources	\$ 1,780,877	\$ 29,014	\$ 1,813,238
State sources	805,999	302	806,301
Federal sources	140,192	23,285	163,477
<b>Total revenues</b>	<u>2,727,068</u>	<u>52,601</u>	<u>2,783,016</u>
<b>Expenditures/Expenses:</b>			
Instruction	1,622,643	-	1,622,643
Support services	583,413	-	583,413
Non-instructional programs	-	62,208	62,208
Other expenditures	188,295	-	191,641
<b>Total expenditures/expenses</b>	<u>2,394,351</u>	<u>62,208</u>	<u>2,459,905</u>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	332,717	(9,607)	323,111
Other financing sources (uses) net	<u>(3,346)</u>	<u>3,346</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses</b>	329,371	(6,261)	323,111
Balance beginning of year	<u>1,281,330</u>	<u>23,156</u>	<u>1,304,486</u>
Balance end of year	<u>\$ 1,610,701</u>	<u>\$ 16,895</u>	<u>\$ 1,627,597</u>

See accompanying independent auditor's report.



<b>Budgeted Amounts</b>		<b>Final to Actual</b>	
<b>Original</b>	<b>Final</b>	<b>Variance - Positive (Negative)</b>	
\$ 1,786,981	\$ 1,786,981	\$	26,257
907,044	907,044		(100,743)
102,000	102,000		61,477
2,796,025	2,796,025		(13,009)
1,862,597	1,862,597		239,954
667,000	667,000		83,587
72,885	72,885		10,677
1,101,572	601,572		409,931
3,704,054	3,204,054		744,149
(908,029)	(408,029)		731,140
-	-		-
(908,029)	(408,029)		731,140
1,250,899	1,304,486		-
\$ 342,870	\$ 896,457	\$	731,140

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**  
**June 30, 2011**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, 2011, expenditures did not exceed the amounts of its published budget.

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
2010	July 1, 2009	\$ -	\$ 293,000	\$ 293,000	0.00%	\$ 590,000	49.66%
2011	July 1, 2009	-	293,000	293,000	0.00%	579,000	50.60%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

See accompanying independent auditor's report.

**OTHER SUPPLEMENTARY INFORMATION**

## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL

Schedule 1

**COMBINING BALANCE SHEET**  
**Nonmajor Governmental Funds**  
**June 30, 2011**

<b>Assets</b>	<b>Special Revenue Funds</b>		<b>Total</b>
	<b>Management Levy</b>	<b>Student Activity Fund</b>	
Cash and pooled investments	\$ 116,982	\$ 16,286	\$ 133,268
Receivables:			
Property tax:			
Succeeding year	50,000	-	50,000
<b>Total assets</b>	<b>\$ 166,982</b>	<b>\$ 16,286</b>	<b>\$ 183,268</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Deferred revenue:			
Succeeding year property tax	\$ 50,000	\$ -	\$ 50,000
<b>Fund Balances:</b>			
Restricted for:			
Management levy purposes	116,982	-	116,982
Other special revenue purposes	-	16,286	16,286
<b>Total liabilities and fund balances</b>	<b>\$ 166,982</b>	<b>\$ 16,286</b>	<b>\$ 183,268✓</b>

See accompanying independent auditor's report.

## ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT

## Schedule 2

Combining Schedule of Revenues, Expenditures and  
 Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2011

	<b>Special Revenue Funds</b>		
	<b>Management</b>	<b>Student Activity</b>	
	<b>Levy</b>	<b>Fund</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ 50,378	\$ -	\$ 50,378
Other	207	2,146	2,353
<b>Total revenues</b>	<b>50,585</b>	<b>2,146</b>	<b>52,731</b>
Expenditures:			
Current:			
Instruction:			
Regular	22,535	-	22,535
Other	-	2,514	2,514
Support services:			
Administration	405	-	405
Operation and maintenance of plant	23,964	-	23,964
Transportation	3,738	-	3,738
<b>Total expenditures</b>	<b>50,642</b>	<b>2,514</b>	<b>53,156</b>
<b>(Deficiency) of revenues</b>			
<b>(under) expenditures</b>	<b>(57)</b>	<b>(368)</b>	<b>(425)</b>
Fund balances beginning of year	117,040	16,653	133,693
Fund balances end of year	\$ 116,983	\$ 16,285	\$ 133,268

See accompanying independent auditor's report.

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT****Schedule 3****Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year Ended June 30, 2011**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Commerce club	\$ 12,419	\$ 651	\$ 1,433	\$ 11,637
Demers kids	120	-	-	120
Tag club	875	-	39	836
Student council	3,239	1,494	1,040	3,693
<b>Total</b>	<b>\$ 16,653</b>	<b>\$ 2,145</b>	<b>\$ 2,512</b>	<b>\$ 16,286</b>

See accompanying independent auditor's report.

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT****Schedule of Revenues by Source and Expenditures by Function -  
All Government Funds  
For the Last Eight Years**

	2011	2010	2009
Revenues:			
Local sources:			
Local tax	\$ 1,618,335	\$ 1,437,441	\$ 1,408,106
Tuition	86,520	47,141	31,998
Other	76,022	70,004	68,746
State sources	805,999	670,379	820,802
Federal sources	140,192	200,717	63,808
<b>Total revenues</b>	<b>\$ 2,727,068</b>	<b>\$ 2,425,682</b>	<b>\$ 2,393,460</b>
Expenditures:			
Instruction:			
Regular	\$ 1,282,345	\$ 1,276,901	\$ 1,339,388
Special	207,349	202,491	249,463
Other	132,949	139,889	119,572
Support services:			
Student	14,777	15,612	19,329
Instructional staff	44,785	21,357	15,331
Administration	216,421	293,041	234,446
Operation and maintenance	177,636	180,544	181,889
Transportation	129,794	184,492	138,111
Non-instructional programs	-	-	-
Other expenditures:			
Facilities acquisition	88,296	77,329	104,418
AEA flowthrough	99,999	99,914	90,398
<b>Total expenditures</b>	<b>\$ 2,394,351</b>	<b>\$ 2,491,570</b>	<b>\$ 2,492,345</b>

See accompanying independent auditor's report.



## Schedule 4

<b>Modified Accrual Basis</b>				
2008	2007	2006	2005	2004
\$ 1,230,310	\$ 1,305,277	\$ 1,396,406	\$ 1,473,703	\$ 1,394,872
30,768	34,517	28,717	38,946	27,342
126,989	116,555	89,256	94,918	130,910
1,023,371	893,327	962,707	1,082,874	1,044,191
78,936	82,156	174,935	156,744	211,949
<b>\$ 2,490,374</b>	<b>\$ 2,431,832</b>	<b>\$ 2,652,021</b>	<b>\$ 2,847,185</b>	<b>\$ 2,809,264</b>
\$ 1,447,205	\$ 1,005,780	\$ 1,161,357	\$ 1,220,301	\$ 1,154,228
257,361	336,269	345,814	368,136	356,156
61,670	48,227	44,927	16,314	314,617
20,243	70,828	59,567	59,620	90,614
22,825	27,507	30,611	52,441	44,518
240,344	217,774	189,727	222,877	265,466
205,299	169,862	166,508	180,753	208,378
133,017	137,272	180,028	165,875	70,034
-	-	-	-	1,046
182,499	103,279	66,033	51,174	58,795
89,973	86,360	84,489	86,066	88,365
<b>\$ 2,660,436</b>	<b>\$ 2,203,158</b>	<b>\$ 2,329,061</b>	<b>\$ 2,423,557</b>	<b>\$ 2,652,217</b>

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of  
Albert City-Truesdale Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Albert City-Truesdale Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Albert City-Truesdale Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Albert City-Truesdale Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Albert City-Truesdale Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Albert City-Truesdale Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Albert City-Truesdale Community School District and other parties to whom Albert City-Truesdale Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Albert City-Truesdale Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
February 6, 2012

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**ALBERT CITY-TRUESDALE COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

**Part I: Summary of Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

I-A-11     Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District has contracted with Prairie Lakes Area Education Agency 8 to assume the major accounting functions. The District and Prairie Lakes Area Education Agency 8 are continuing to work on maximizing segregation of duties.

Conclusion: Response accepted.

I-B-11     Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

District Response: We are working with Prairie Lakes Area Education Agency 8 reviewing alternative checking signing options.

Conclusion: Response accepted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2011**

**Part II: Findings Related to the Financial Statements (Continued):**

**Instances of Noncompliance:**

No matters were reported.

**Part III: Other Findings Related To Required Statutory Reporting:**

- II-A-11     Certified Budget: Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- II-B-11     Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-11     Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11     Business Transactions: We noted that the District did \$8,978 in business with Clausen Hardware in which the spouse of board member Deb Clausen appears to have an ownership interest. However, business with the spouse of a board member is not a conflict of interest. Board member Deb Clausen received \$1,279 in wages employed by the district as a district nurse. Since the wages are less than \$2,500, this is not a conflict of interest.
- II-E-11     Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-F-11     Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- II-G-11     Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-11     Supplementary Weighting – No variances regarding the supplementary weighting certified to the Department of Education were noted.
- II-I-11     Deposits and Investments: We noted one instance of the bank balance exceeding the depository resolution.

Recommendation: The board should review the resolution naming the banks in which the District may deposit monies and the maximum balance allowed at each bank.

District Response: The board will review the resolution and make any adjustments deemed necessary.

Conclusion: Response accepted.



**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2011**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

II-J-11 Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely. However, due to adjustments made to the audit, the Certified Annual Report and the audit report are not in agreement.

Recommendation: The Certified Annual Report should be amended to agree with the audit report.

District Response: If necessary, the Certified Annual Report will be amended.

Conclusion: Response accepted.

II-K-11 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-11 Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. District are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance		\$ 731,479
Statewide sales, services and use tax	\$ 144,256	
Interest	1,618	145,874
		<u>877,353</u>
Expenditures/transfers out:		
School infrastructure:		
Buildings and building improvements	4,145	
Equipment	12,977	17,122
		<u>17,122</u>
Ending balance		<u><u>\$ 860,231</u></u>

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2011**

**Part III: Other Findings Related To Required Statutory Reporting(Continued):**

II-L-11     Statewide Sales, Services and Use Tax (Continued): For the year ended June 30, 2011, the District reduced the following levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa:

	<b>Per \$1,000 of Taxable Valuation</b>	<b>Property Tax Dollars</b>
Physical plant and equipment levy	\$        1.33	\$     144,256

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Albert City-Truesdale Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
February 6, 2012